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Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20511

Dear Ms. Johnson:

RE: Comments on Proposed Changes to 226.36, et., al.

In reviewing the proposed rule changes, I would like to offer some thoughts on the "Prohibitions on Loan Originator Compensation and Steering" – they are as follows:

1. The new SAFE Act has yet be implemented across the country, and as such, has yet to "Clean Up" some of the bad actors in the industry. However, the SAFE Act fails to go far enough and deal with ALL players in the Primary Mortgage Market. If the SAFE Act handled Subsidiaries of Major Financial Institutions as well as non-depositories, the "Bad Actors" could truly be weeded out of the industry once and for all instead of being able to continue to bounce about within FDIC Insured institutions. This would lessen, if not eliminate the need to put severe restrictions on loan officer compensation.

2. By making Loan Originator Compensation no longer a Commission based expense, the smaller companies will find it harder and harder to survive in this truly competitive world.

3. The proposed "Limitation if the Consumer Pays the Loan Originator" may be a valid way to avoid immediate extinction, but what other limitations will be put on the Companies BEYOND that point? What if a Consumer pays an originator for One loan and the Company pays for a Different loan? How will those files have to be handled? Will there have to multiple sets of payroll records? This seems to create an issue where Employees are set up to become Independent Agents which is a Clear Violation of FHA's regulations of being an Employee of One Company at any One Time.

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4. It also appears that limiting the way Loan Originators can be Compensated will set up the System (overall) to move to the **Simplest Transactions,** which are not generally FHA or USDA loans. FHA and USDA loans generally take a lot more effort than conventional loans. Without an ability to pay loan originators additional compensation for this extra work, loan officers are likely to shun submitting applications for those loans, which are the current backbones of the housing finance system and are keeping the shallow housing economy recovering. There also will be no incentive for anyone to work with Low/Mod income (generally problem credit borrowers) if there is no commission available. If we move away from the current compensation system (which has generally worked for most Mortgage Bankers and Brokers) will we wind up with personal bankers attempting to navigate the legislative landscape as it continues to evolve to take loan applications only to have the NEXT Housing Crisis created from these proposals?

5. The proposed "Steering Safe Harbor" will, in my belief, move to make **ALL** Loan originators present 3 options to borrowers at EVERY application out of fear. The Borrowers will see the lowest payment available initially and may be enticed into taking a loan they may not have otherwise have taken due to the payment available.

RE: "All-In Finance Charge" Proposal Sect. 226.4

1. As you know, no one – or almost no one – knowingly makes a loan subject to Section 226.32. As defined in 226.32, charges paid to "third parties" are NOT included in the APR. This new definition, completely disregards the previous 226.32 definition and will bring many more loans under the definition of a high-cost mortgage loan.

2. As the "new tolerance" for high cost loans has already been reduced, the potential limitation for small loan amounts (particularly FHA loans, with upfront and monthly mortgage insurance premiums financed) along with "all closing costs" could easily become "high cost loans" and thereby eliminating an entire subsection of the housing market. (Especially the Low/Mod Income market.)

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3. As to higher-priced mortgage loans, the "Freddie Mac Prime Offered Rate" is not being adjusted for the "all-in finance charge", which again will be problematic for the small dollar amount loans with a credit insurance product included on them.

4. The potential "APR Graph" and elimination of the traditional "APR Box" will also cause concern for many consumers who are used to looking for the APR in a center box on the Truth-In Lending format. The format has become so familiar to consumers for the past nearly 40 years, and consumers are looking for the same format when going into something as UNFamiliar as a home Purchase transaction.

5. The additional delays caused at closing (by the new early disclosure requirements and the "all-in" APR disclosure issues) will be of additional concern for not only Real Estate professionals, but also the nearly 1 million Americans who relocate out of NECESSITY annually. Along with those who transition from one home to another for other reasons.

Thank You,

Tim Kongenske

Tim Kongenske, CMB
President
Victory Mortgage

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